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SECOND CLASS

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Fiscal Fears 'Scrooge' Shoppers

By Don Longo
Exclusive DSN Report

Retailers are facing what may be their bleakest Christmas in years as jittery consumers put the brakes on their holiday buying plans.

Consumers' outlook for Christmas took an abrupt downturn during the four weeks from mid-September to mid-October, according to the latest national survey of U.S. households conducted by Chicago-based researchers Leo J. Shapiro & Associates.

Ironically, despite the ongoing Mideast crisis which put a damper on spending for everyday items (and depressed store sales in August and September), the monthly Shapiro study found that in September consumer buying intentions for Christmas 1990 were the highest in the six years the firm has been conducting the survey.

In mid-September, 34% of households said they planned to spend more this Christmas than a year ago. By contrast, in September 1989, only 28% of consumers planned to spend more on Christmas than they had in 1988.

In the four weeks following the September survey, consumer fears about their job security, and the probability of lower commissions and lost bonuses intensified greatly. Their decision to go ahead and enjoy a jolly Christmas appears to have been reversed.

A faltering economy, and job insecurity, has put a brake on consumers' holiday shopping plans.

By mid-October, only 28% of U.S. households planned to spend more on Christmas this year than a year ago, the lowest percentage for that month since 1988. By contrast, last year, 34% of households expected to spend more on Christmas than the previous year.

Further, the percentage of consumers who intend to spend less this Christmas increased from 36% in September to 44% in October, the

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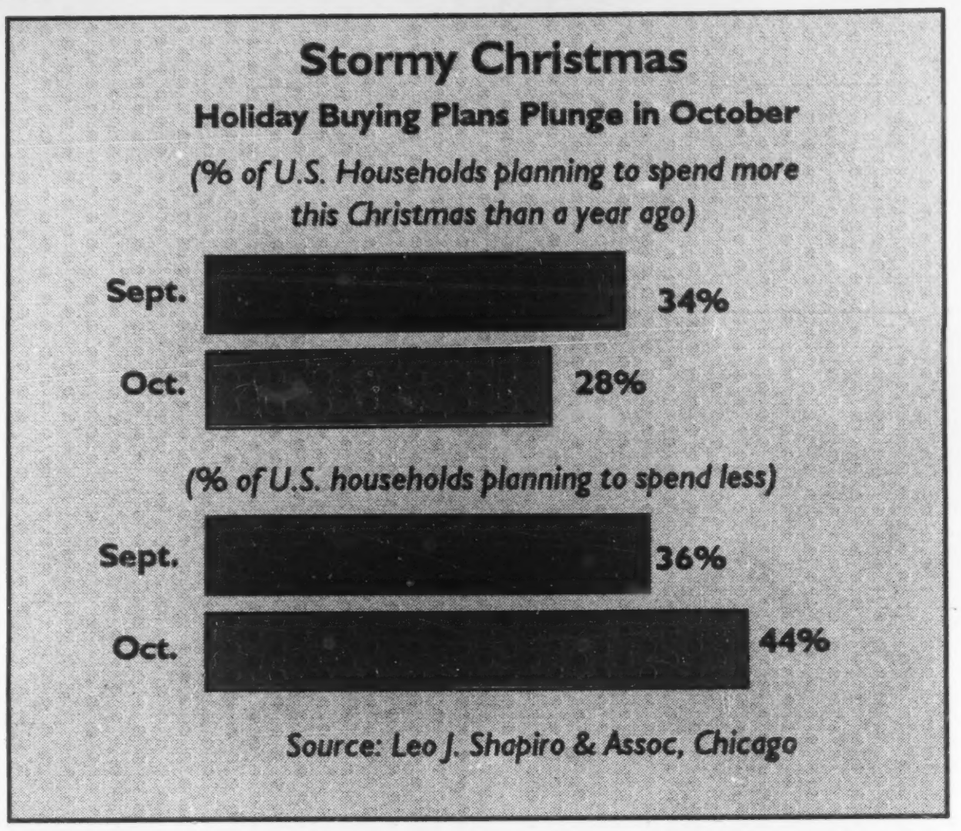


Popular Gifts Add Gleam to Dim Christmas

By Richard Halverson

Although the Christmas retail skies continue to darken, a number of gift stars are starting to twinkle.

Many retailers fear that weak consumer confidence in the economy will dampen Christmas '90 sales. Yet, here and there, Christmas gift hits are beginning to shine through the gloom, a sampling of discounters shows.

"There always is a Christmas," said a merchandising executive from a major toy chain who asked to remain nameless, "although it will be a late one this year."

Expecting a lot of price-cutting, "consum-

(Continued on page 46)

Mills Attracts Category Dominators

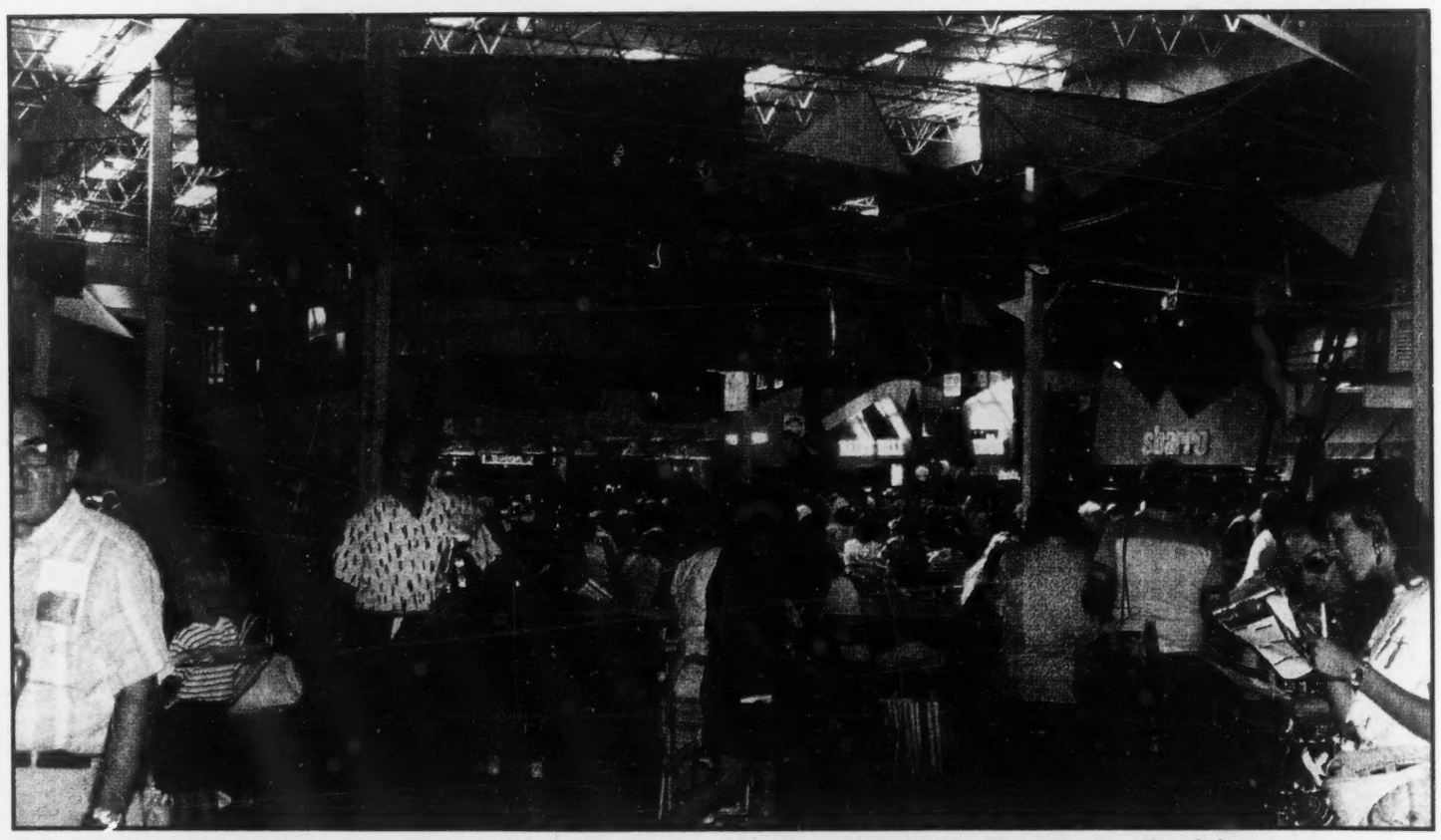
Sawgrass Melds Off-Pricers With Factory Outlets

By Don Longo

SUNRISE, Fla. — The opening of Sawgrass Mills, the world's largest outlet shopping center, here last month illustrates the transformation of the factory outlet mall concept into a super-regional specialty center of value-oriented retailers.

A joint venture of Western Development Corp., developers of Potomac Mills in Washington, D.C., and Franklin Mills outside Philadelphia, and KanAm, a West German investment group, the 2 million-square-foot Sawgrass Mills opened Oct. 4 with 120 stores.

Despite the popular misconception that factory outlet malls are primarily composed of manufacturer "outlets," only one of the five, 60,000-square-foot-plus anchor stores that opened last month is operated by a manufacturer.



After a day of shopping, *Sawgrass Mills customers take a breather in the Hurricane Food Court.* (DSN photo)

VF Factory Outlet (76,000 square feet) is owned by Reading, Pa.-based apparel-maker Vanity Fair Corp. The outlet sells Lee, Wrangler and Rustler jeanswear, Vanity Fair and Modern Globe intimate apparel, Jantzen, JanSport and Bassett-Walker sportswear and Red Kap and Big Ben work clothes, all at 50%-off list prices.

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Dr. Rx

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Zeller's Parent Gobbles Up Towers

By Mary Ellen Kelly

TORONTO — The Hudson's Bay Co. has signed a definitive agreement with The Oshawa Group Limited of Islington, Ontario, to purchase Towers Department Stores, pending regulatory approval. The acquisition is expected to be completed this month.

Toronto-based Hudson's Bay is parent of Canada's largest discount store chain, 218-unit Zeller's. The Oshawa Group—primarily involved in the grocery business—was reportedly approached about the sale of its general merchandise Towers division last month.

The acquisition catapults Zeller's—$2.15 billion (Canadian) sales volume in 1989—further ahead of discount store competitors like K mart Canada, which reported 1989 sales of $1,293 million.

The Towers chain also puts Zeller's ahead of Woolworth's Canadian store division in terms of sales volume; until now the two firms had been

(Continued on page 45)

MARKETWATCH

Union Square Shoppers Club Set to Open

NEW YORK — Union Square Shoppers Club, the first urban-centered membership club will open in New York Nov. 15. Housing a food court, supermarket and traditional merchandise areas, the club will occupy 240,000 square feet on seven floors in what was once a May's Department Store. Fees will include $25, $50 and $75 memberships. A members-only lounge and special discounts will be among the club perks for members. The prime competition for Union Square will come from BJ's and Price Club, both established in surrounding metropolitan area suburbs.

Wal-Mart Opens Two Closeout Stores

BENTONVILLE, Ark. — Delving into yet another retail experiment, Wal-Mart opened two closeout stores called Bud's Warehouse Outlets in September, according to a company spokeswoman. Two additional units will be opening this month. The first two 40,000-square-foot Bud's Warehouse Outlets were opened in Franklin, Tenn., and West Memphis, Ark. The store assortments are said to vary by location, "in the same way that there are differences among Sam's units," the spokeswoman said. She confirmed that the merchandise consists of manufacturer overruns and closeouts.

Office Club Speeds Credit Approvals

CONCORD, Calif. — Office Club will update its data processing system by installing a Stratus XA2000 model 200 single processor Continuous Processing computer system. The new system collects sales data online from ICL terminals in its 49 stores in nine states while also routing credit card transactions over an X.25 network to the appropriate credit authorizer for immediate approval. The polled sales data will be periodically uploaded to the office supply superstore's IBM AS/400 main computer.

Sears Ties In With Prodigy

CHICAGO — Sears launched its first direct tie-in with Prodigy, the electronic shopping and information service it jointly owns with IBM. The retailer mailed a 32-page catalog listing 32 Best Buys to Prodigy's subscribers, with goods available through Jan. 31, 1991. The catalog and a cover letter, which also listed 45 Nintendo titles on sale from $19.97 to $49.95, explained how computer users can access Sears on Prodigy and shop from more than 5,000 items online and use an electronic order blank to buy goods.

Yankee Bargain Stores Changes Name

NEW YORK — The corporate parent of Yankee Bargain Stores, a chain of 10 closeout units in northern New England, has changed its name to Specialty Retail Ventures from Yankee Stores. The company said the name reflects a new corporate strategy of diversifying into niche specialty retailing in its region.

Venture Is Now a Public Company

O'FALLON, Mo. — Venture Stores, operating 79 units, officially has joined the ranks of publicly traded discount chains. Effective Oct. 2, its previous parent, May Department Stores Company, spun off Venture to May stockholders as a special dividend. Trading on the New York Stock Exchange as VEN, Venture stock opened at $10.

Kmart Canada Sells Bargain Harold's

TROY, Mich. — K mart Canada sold its Bargain Harold's Discount chain to Quebec Equity Capital, an investment partnership sponsored by several large Canadian institutional investors. Terms of the deal, announced on Oct. 26, were not disclosed.

FOR THE RECORD

In a Sept. 3, 1990, article on Pamida's delay in going public, *DSN* incorrectly gave the chain's net tangible book value as $14.57 per share, compared with the proposed selling price of $14.50 a share. Actually the net tangible book value was a negative ($14.57) per share primarily because of the large amount of goodwill and deferred financing costs the chain carries on its books. By the time Pamida went public Sept. 18, on a reduced scale at $5 a share, it had improved net tangible book value to a negative ($14.03). In addition, the chain had improved its debt/equity ratio to 19.5 to 1 from about 25 to 1 by paying off some debt and increasing equity.

Chains Face Mixed Tidings

For Ames' Stores: More Losses, Less Leases

ROCKY HILL, Conn. — Ames Department Stores, still struggling to emerge from Chapter 11, suffered more setbacks this fall, as a general retail slump impacted its sales and profits. Also, only four of 99 leases from closed stores were purchased during an early October auction.

Losses for the second quarter mounted to $152.5 million on sales of $563 million, including a $73 million non-recurring charge to income related to prefiling costs and a further $9 million write-off for computers and computer equipment installed in closed units.

According to the company, active bidding for the leases was restrained by the near-market price the company was forced to ask, as well as a declining real estate market industrywide. However, the company said it has contracts or is close to agreements for some 44 of the 99 leases, and will re-auction the remaining leases at the end of October, after presstime.

The company also announced the closing of its West Hartford, Conn., and Syracuse, N.Y., corporate offices, effective next spring. The closings will affect some 250 active employees and all accounting and other functions of the two offices will be moved to the Rocky Hill headquarters, according to chairman Stephen Pistner.

"Both the staff reduction and office consolidation are essential elements of our plan to reduce expenses and operating losses, while matching Ames' corporate organization with the company's smaller size," Pistner said.

Caldor Celebrates Successful Store Openings, Healthy Outlook

MIDDLE VILLAGE, N.Y. — While its Connecticut discount store neighbor Ames continues to struggle, Caldor held a bash last month to celebrate the opening of three stores that will add $70 million to its sales coffers over the next year.

Those stores, modeled after the chain's new prototype unit which debuted earlier this year, include Caldor's first discount store within the five boroughs of New York and two other stores on Long Island in the communities of Woodmere and Garden City.

Two earlier prototype stores, opened in July, are exceeding sales projections by 20%, according to Don Clarke, chairman of the 122-unit Norwalk, Conn.-based regional discounter that was spun off from May Department Stores Co. in a management-led lev-

(Continued on page 46)

Marshalls Set to Showcase New Designers Back Room

FORT LAUDERDALE, Fla. — Marshalls will open its 367th store in the Sawgrass Mills Outlet, here, Nov. 15. The new unit, one of its superstore prototypes, will feature Marshalls' newest specialty department—the Designers Back Room.

Discounters Anchor New Outlet Mall, See Story, Page 1.

According to the company, the Designers Back Room is a store-within-a-store, in a totally separate room, that will feature a greater selection of bridge label merchandise. Though the retailer would not comment on specific labels, its various units already carry department store designer labels such as Chaus, Liz Claiborne and Perry Ellis, among others. The size of the area will vary according to the individual store. The Marshalls at the Sawgrass Mills Outlet has 1,000 square feet of space devoted to the room.

This will be the second back room at the off-pricer. The first is already in place at its Newton, Mass., store.

The Florida superstore will feature just over 54,000 square feet of selling space, double the average space for its regular stores. Marshalls introduced the superstore concept last year with increased space for domestics and accessories departments. An average Marshalls store features about 25,000 square feet of space.

(Continued on page 45)

Ross Adds 3 In Fla.; 16 More in U.S.

NEWARK, Calif. — Ross Stores opened three new stores this week, all in the expanding South Florida market. This is the first of 16 planned openings across the country for the month.

Ross will now operate a total of 25 stores in Florida, an area targeted by the retailer last year as an expanding and viable market.

In Florida, the 185-unit retailer opened stores in Hialeah, Pembroke Pines and Westchester, Fla.

Norman Ferber, pres-

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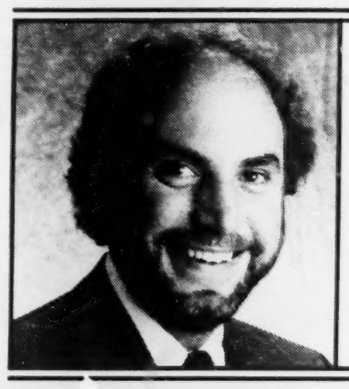
EDITORIAL

Can Chains Make the Leap Overseas?

The lure of international expansion has intrigued U.S. retailers this year as worldwide developments have popularized boundless opportunities abroad.

Whether it's Eastern Europe, Japan or the Pacific Rim, U.S. retailers are seriously investigating the idea of expanding overseas. With many overstored markets and fierce competition, the rationale among retailers is to look elsewhere for growth through the 1990s. The mindset is simple: get in on the ground floor and carve out a niche in some enchanted city before someone else does. Easier said then done!

Consider the case of Toys "R" Us. The Paramus, N.J.-based toy superstore chain hopes to become the first U.S. retailer to operate in Japan. Five stores are planned by the end of 1991. However, TRU is currently caught in a web of longstanding Japanese policies. First, the big store law, designed to protect "mom and pop" retailers by requiring local approval for new stores, has created a bureaucratic roadblock for TRU in its attempts to secure construction permits. Second, the complex multitiered distribution system threatens TRU's ability to stock its shelves quickly, efficiently and economically.



TONY LISANTI
Editor

Regardless, the TRU concept is ideal for export and the proof is the growth of its international division. TRU had 74 stores operating in Canada, France, United Kingdom, Germany, Hong Kong, Malaysia, Singapore and Taiwan at the end of 1989 with 25 planned for 1990. The key characteristics include a focused product line, efficient operating systems, layout and design, and universal mass product appeal. Overall, it's a "cookie cutter" approach that would be easy to execute as opposed to a full-line discount department store.

While many of the nation's top restaurant chains have enjoyed success abroad for more than a decade, few U.S. retailers have expanded overseas. Only K mart, Sears, Woolworth and Toys "R" Us have operated successfully in other countries. While it's true that many nations crave products from the U.S. culture, there are many barriers—not to mention layers of bureaucracy—that must be hurdled before a store can open. There are also many cultural differences and changing demographics that must be understood.

McDonald's, Burger King, Kentucky Fried Chicken and others have successfully brought their products to foreign countries, but marketing hamburgers and chicken is much easier than marketing a full line of general merchandise. A fast food chain also requires a fraction of the square footage that a general merchandise or even a specialty store requires. Furthermore, remember that many fast food chains have expanded through franchising, and franchising hardly exists anymore in discount retailing.

When McDonald's opened in Moscow earlier this year, people waited for hours to purchase a hamburger. If Toys "R" Us or Wal-Mart, for example, opened in Moscow, would they garner the same reception? Some food for thought.

There's no doubt that a revolution in retailing is occurring not only in Japan but worldwide. These changes will not happen overnight, but now is the time to identify specific opportunities and investigate them thoroughly.

More than likely, Toys "R" Us will become the landmark case that will open the door for other U.S. retailers to enter Japan in the 1990s.

But despite all the media hype about international opportunities, the best advice is the simplest: proceed with caution.

BUYERS & SELLERS

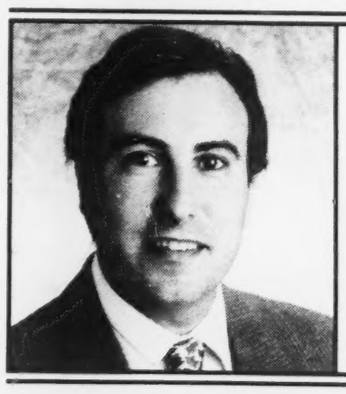
Razzle-Dazzle Works Wonders for Discounters

All of retailing's a stage.

I've always felt that the best retailers have more than a bit of showmanship in them. The worst offense a retailer can commit (yes, worse than out-of-stocks, higher prices than the competitor, long checkout lines) is to become stale and unexciting. After all, no one will ever experience those other imperfections if they don't step into the store in the first place. Recently, I attended two special events for vendors that illustrate that show business is alive and well in retailing.

About a month ago, Target Stores dazzled a gathering of hundreds of its suppliers with a special presentation coinciding with the opening of its Greatland superstore in a Minneapolis suburb. The flash and sizzle of the meeting was provided by John Pellegrene, Target's flamboyant senior vice president, marketing.

Pellegrene's entrance onto the stage at the Bloomington Radisson Hotel's grand ballroom was preceded by a marching band. Pellegrene then introduced Franco, a singer who appears in Target ads directed to the Hispanic community. After Franco finished a song, Pellegrine talked about Target's upcoming marketing events. Each illustrates Target's keen attention to combining entertainment with retailing.



DON LONGO
Exec Editor

- For Greatland's offical opening, consumers were treated to daytime fireworks, a skydiving team that made the Target bulls-eye in the air, and the construction of the tallest LEGO in Greatland's parking lot by the Target-sponsored environmental group, Kids For Saving Earth. Minneapolis consumers were made aware of the opening of Greatland through a clever series of commercials, one showing a high diver looking to impress a pretty woman but then losing his nerve after staring down at a small, round pool containing the Target logo. "Sometimes You Need a Bigger Target," was the tag line.
- For greater local presence, Target struck a deal to have the new $90 million sports facility in downtown Minneapolis named the Target Center. The facility will be the home of the NBA Timberwolves basketball team, as well as site for HBO concerts, Disney on Ice, the Moscow Circus, and the 1991 U.S. National Figure Skating Championship.
- For Christmas, Target will follow up last year's successful Velveteen Rabbit plush doll and assorted merchandise promotion with a new marketing campaign focused on the Gingham Dog and the Calico Cat children's story. And, again, country singers Amy Grant and Chet Atkins will perform in Target holiday commercials.

Pellegrene's presentation was highlighted by a special appearance from NBA Laker superstar Magic Johnson, and a duet by Grant and Atkins.

Three weeks later, Caldor gave vendors a glimpse of its potential to become the Target of the Northeast during a special presentation at its new Middle Village, N.Y., store on the eve of the opening of three new Long Island Caldors.

With an R&B group singing oldies and a film presentation chronicling Caldor's long history, the evening gathering served as a celebration of the beginning of a new focus and direction for the 39-year-old discounter.

Planned grand opening activities at the stores included sweepstakes, guest appearances by a radio personality, a cappella singing groups, New York sports stars and television soap opera performers.

President Marc Balmuth emphasized that the new Caldor seeks to enhance communications at all levels with its suppliers "to exploit our mutual opportunities. There's a new culture at Caldor. We're committed to making Caldor the best business partner you can find."

Chairman Don Clarke told vendors to "work with us for testing and developing new products and we'll help you get them into the stores."

The two executives, who have replaced 80% of the key people in the company since coming to the Norwalk, Conn., chain from Venture three and a half years ago, appear to have successfully changed the culture at Caldor and have made it more of a merchandise-driven retailer. The glitzy vendor night also showed they understand the importance of creating an entertaining and upbeat environment.

And, that upbeat environment is also part of the new culture at Caldor, one that emphasizes employee relations and customer service. A little theater, a looser atmosphere, and a higher energy level—ingredients that will position Caldor as one of the stronger regional discounters in the nation.

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To Redo or Not to Redo?

A nationwide survey suggests that consumers are not letting fears of recession interfere with their redecoration plans

By Pete Hisey

Despite an economy tumbling quickly into a recession, the coming year should be a successful one for home fashions retailers and suppliers. That, in a nutshell, is what consumers told *HMT* in an exclusive survey conducted by Fairfield Research of Lincoln, Neb.

The bed and bath industries should be the main beneficiaries of consumers' willingness to spend on home furnishings.

Asked which room they would be "likely" to redecorate in the coming year, roughly one-third of consumers queried said that the bathroom was scheduled for some form of decoration. About 36% said the same about the bedroom, the most popular site. Just under 30% plan to redecorate the kitchen/dining room combination, and 27% plan to redecorate the living room.

Geographically speaking, Southerners were the most likely overall to undertake some form of redecoration, particularly in the bed and bath. However, New Englanders were the most likely to redecorate the bedroom (about 41% planned to) and Midwesterners were the most likely to consider redoing both the kitchen and the living room.

The breakout by age is even more telling. More than four out of five consumers under 24 plan to redecorate the bedroom, and more than half of them have plans to redecorate both the living room and the bath. Older consumers were progressively (and predictably) less likely to plan redecoration. Consumers over 65, for instance, were distinctly unlikely to consider it; only a little over 10% had such plans in three of four categories.

Wealth plays a large role in redecoration intentions. While poorer respondents were relatively likely to redecorate the kitchen and the bath, only 15% planned to redecorate the kitchen. Wealthier consumers were the most likely to plan redecoration overall, particularly in the bath and bedroom. They were, however, the least likely to consider redoing the living room.

Overall, minorities were more likely than whites to plan redecoration, most tellingly in the living room and with the distinct exception of the kitchen/dining room, where only 21% planned additions.

Consumers who planned to redecorate the bath were asked several follow-up questions. About one-third of such respondents indicated that the existing color scheme in their bathrooms would be central to their redecoration plans, and about one in eight said that they planned to "change everything." Existing furniture (12%), accessories (9%) and wallpaper (9%) were also deemed important factors.

Not surprisingly, consumers planning to redecorate the bath were most likely to purchase new towels (81%) and bath rugs (73%). However, large numbers also planned to purchase new shower curtains (56%) and, significantly, window treatments (45%). Regionally, Northeastern consumers were most likely to choose all four product categories, with the highest margin over other regions in shower curtains (75%) and window treatments (60%). Residents of the Far West were the next most likely to choose each of the four categories.

Intentions were fairly even across age groups: younger consumers were more likely to need towels than were older consumers, and also slightly less likely to consider shower curtains. Otherwise, all ages were about equally likely to consider all products. The same held true for income levels, with only two statistical blips: wealthy (over $75,000 household income) consumers were much more likely (92%) to purchase new shower curtains than other income groups, but the poorest (under $20,000) were almost as likely (69%).

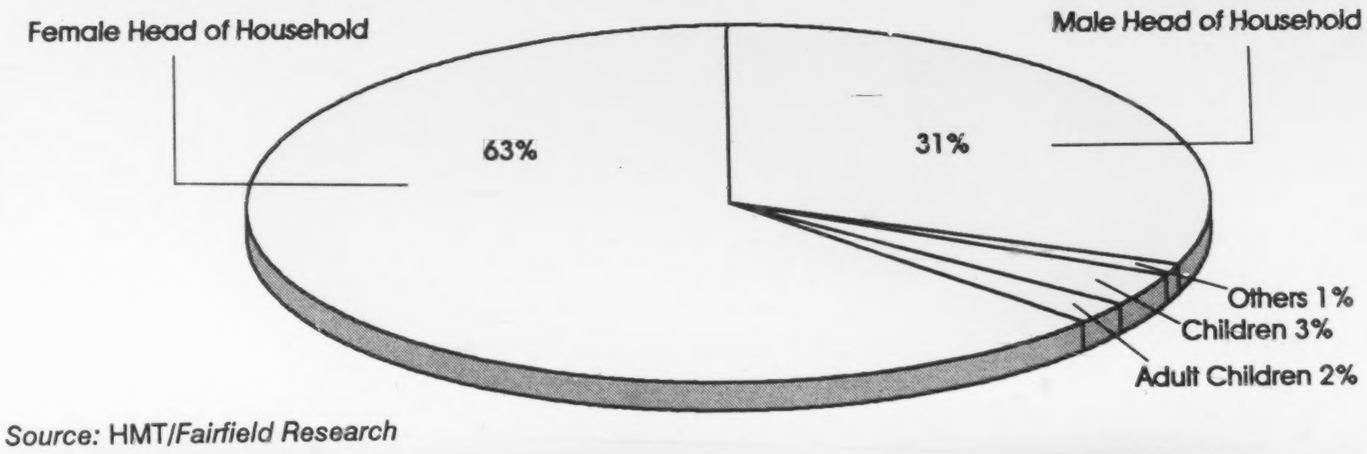
Preferred colors for bath towels did not vary much demographically. In order, blue, peach, rose/mauve and green were the most preferred. Roughly the same color preferences showed up in the other three categories, but a rather high percentage (roughly one-quarter of respondents) didn't know what color they would purchase in any of the three.

Roughly four of 10 consumers planned to buy embellished products for the bath, with only rugs (23%) scoring below 40%. Strangely, there was a distinct split in buying behavior by income. Wealthy respondents were predictably readier to invest in embellished shower curtains and window treatments (roughly two-thirds of wealthiest consumers preferred embellishments), but the very poorest of respondents were far more likely (50%) than any other income group to prefer embellished towels, while only 20% of the wealthiest did the same.

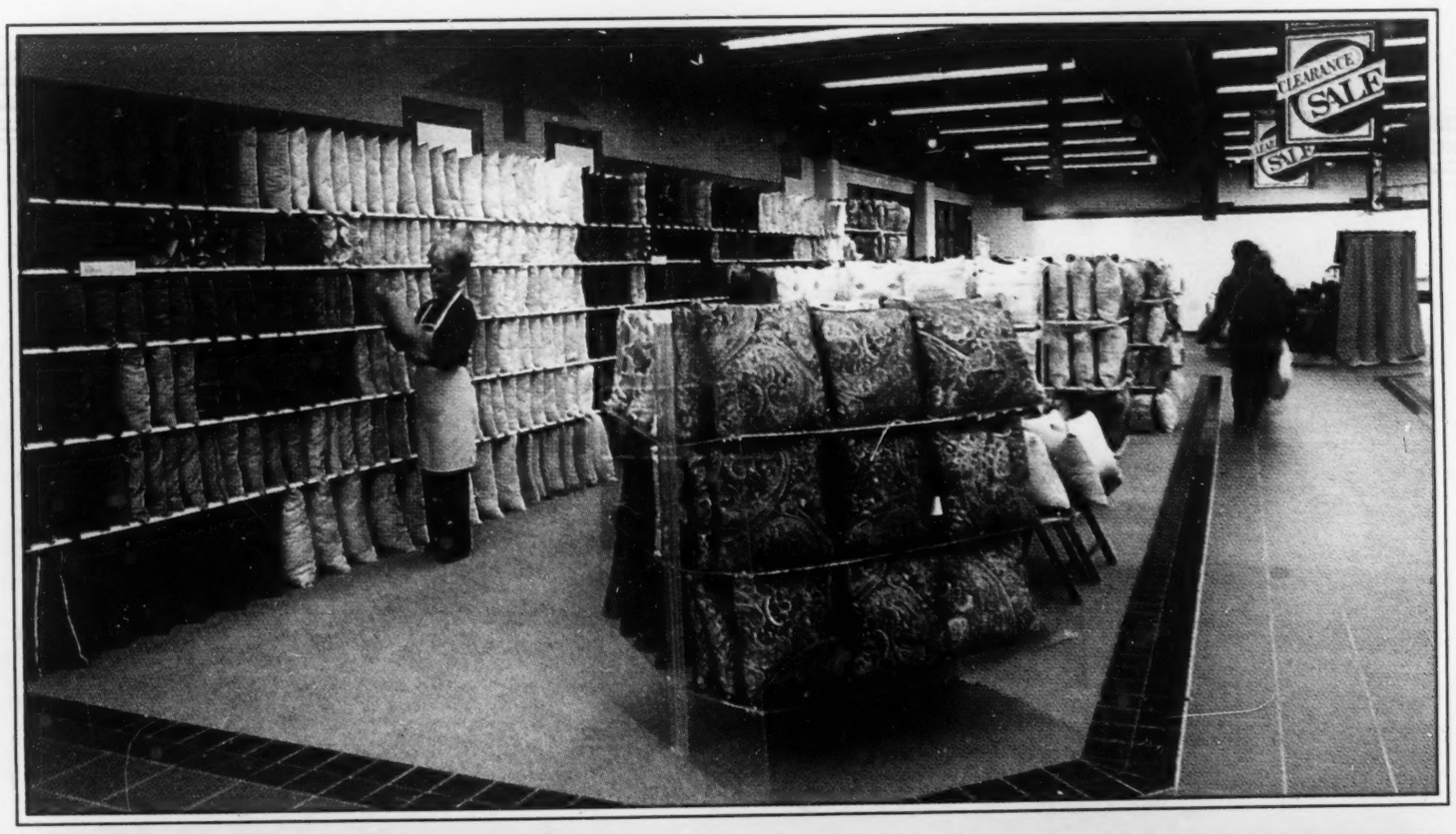
On average, consumers expected to spend $50 or less on all four product groupings, with only towels showing a meaningful blip above the $50 price point, probably more attributable to quantity contemplated than price per towel. Predictably, wealthier con-

Purchase Decision Model

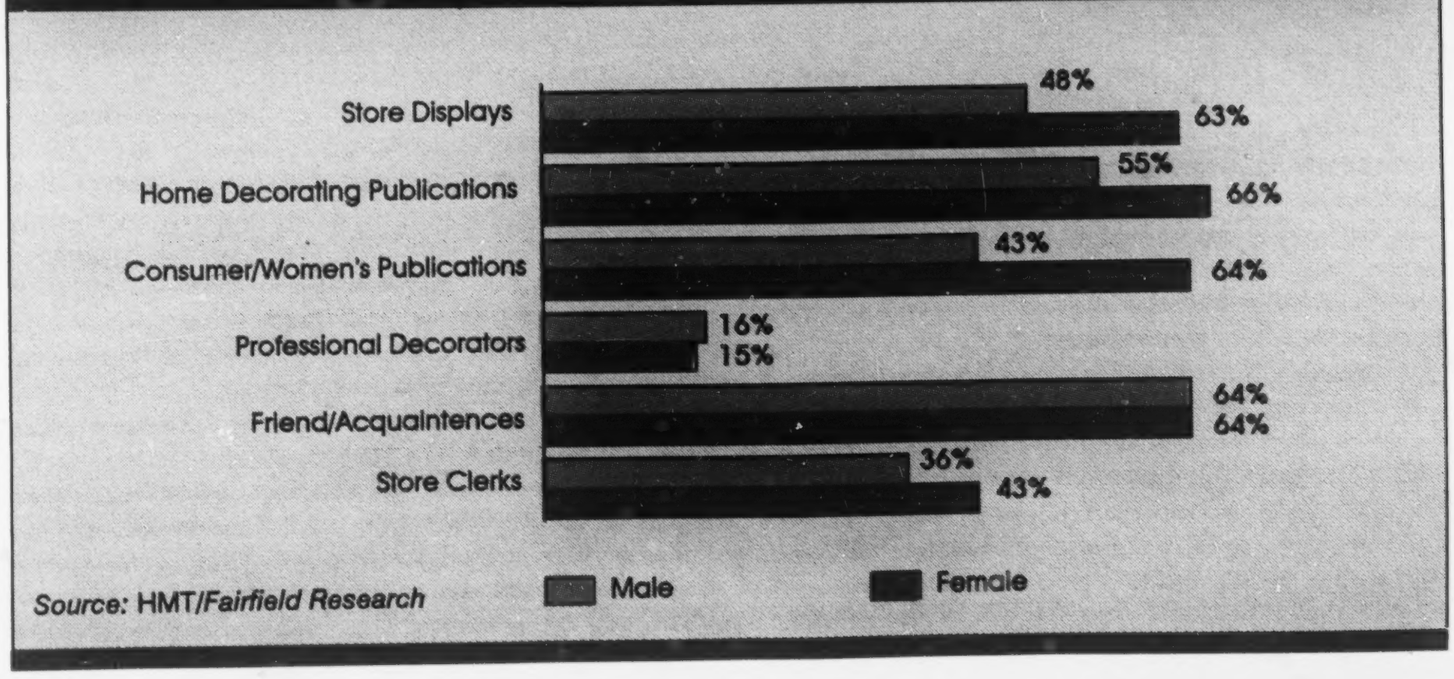
(Total Sample)



Source: HMT/*Fairfield Research*



Source of Redecoration Ideas



Source: HMT/*Fairfield Research*

sumers were more likely to spend more.

Consumers contemplating bedroom redecoration were asked the same set of questions. Overwhelmingly, they chose existing furniture and color scheme as the starting points.

Consumers planning bedroom redecoration were most likely to purchase comforters or bedspreads (71%), but sheets and window treatments (60% each) were also popular. Accessories (43%) trailed the pack, because those products (shams, decorative pillows) are much more often impulse purchases than are staples like sheets and comforters.

Southerners were the most likely on the whole to contemplate bedroom changes, particularly in the areas of bedspreads, window treatments and accessories. Those in the West were marginally less likely than average to purchase each of the four products. Statistically, there were very few meaningful variations in intention by age sex, income or race.

Color direction for the bedroom was patently unclear. In each of the four product categories, between one-third and one-half of consumers did not know what color they would choose. Only blue and peach received over 10% of mentions in any of the categories.

Embellishment seems to have found favor in the bedroom. Over one-half of respondents planning to buy sheets favored embellished products, and nearly as many in the market for comforters and accessories also favored embellishment. Again, wealth seemed to have a positive correlation with embellishment preference—with being the sole exception.

Unlike the bath, bedroom purchasers seemed to be very confused about price. Up to nearly half admitted they didn't know what they would spend. About half of those who did know prices expected to pay less than $50 for sheets, but expectations for other products varied considerably. For instance, about one-quarter of prospective buyers expected to pay $76 to $100 for a comforter, and about 12% expected to pay over $100. Window treatment buyers were even more generous, with over 20% planning to spend over $175. Accessories shoppers were the most divided, with nearly as many expecting to pay over $75 as under.

Those planning to redecorate the kitchen were most likely to purchase window treatments (55%), followed by towels (42%) and area rugs (40%). The coordination message is just reaching the kitchen, evidently. Only 16% of consumers planned to buy accessories.

Willing to Pay More for Embellishment by Region

How much more would consumers pay for an embellished product?

	% Total	% Northeast	% South	% Midwest	% West
25% More	53	50	65	38	64
15% More	68	83	71	50	64
10% More	85	94	94	75	73
5% More	89	94	100	81	73

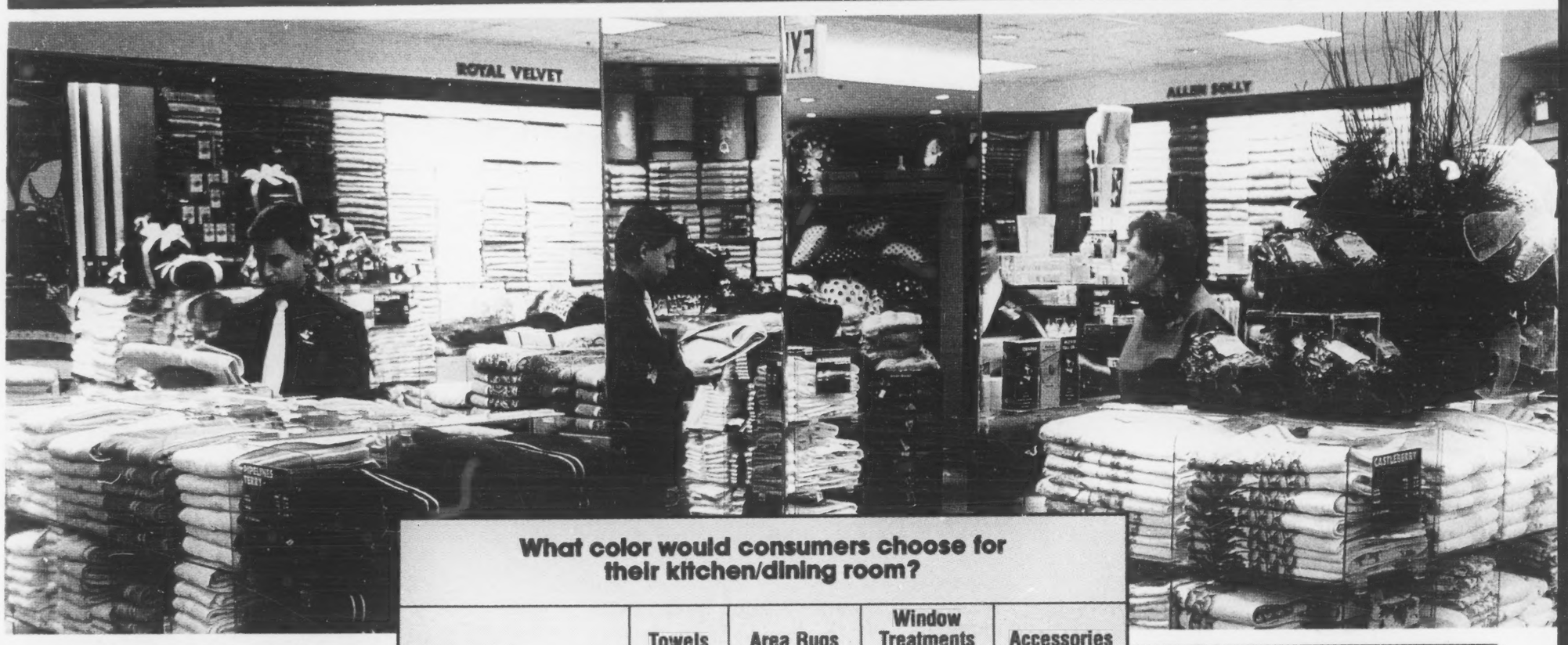
Source: HMT/*Fairfield Research*

Redecoration Intent (Next Year) by Region

What percentage of consumers are likely to redecorate either completely or partially any of the following rooms in a home or apartment that they own or rent?

	% Total	% Northeast	% South	% Midwest	% West
Bathroom	32	27	36	33	30
Bedroom	36	41	40	33	29
Kitchen/Dining room	29	27	31	34	21
Living/Family room	27	24	27	31	26

Source: HMT/*Fairfield Research*



What color would consumers choose for their kitchen/dining room?

	Towels	Area Rugs	Window Treatments	Accessories
Beige/Tan	6%	6%	6%	14%
Blue	36	26	34	21
Earth Tones	6	3	2	7
Green	14	3	9	7
Peach/Salmon	6	6	4	—
Rose/Mauve	3	9	—	7
White	6	—	13	29
Off-White/Cream	3	—	6	—

Source: HMT/*Fairfield Research*

What color would consumers choose for their bathrooms

	Towels	Rugs	Shower Curtains	Window Treatments
Beige/Tan	1%	6%	2%	9%
Blue	19	13	17	12
Brown	4	3	2	—
Earth Tones	3	4	—	—
Green	12	9	8	7
Peach/Salmon	17	16	11	7
Pink	3	3	—	2
Rose/Mauve	14	17	9	9
White	3	1	4	7
Off-White/Cream	—	1	2	7

Source: HMT/*Fairfield Research*

What color would consumers choose for their bedrooms?

	Sheets/ Pillowcases	Bedspread/ Comforter	Window Treatments	Accessories
Beige/Tan	6%	7%	6%	4%
Blue	13	17	14	15
Brown	2	1	3	4
Earth Tones	2	5	3	2
Green	6	5	5	4
Peach/Salmon	11	9	5	9
Pink	6	3	—	4
Rose/Mauve	8	9	9	4
White	3	4	5	—
Off-White/Cream	3	1	6	—

Source: HMT/*Fairfield Research*

With the exception of lower-income households, which didn't plan to do much in the kitchen, demand was fairly even across demographic lines.

Blue was an overwhelming favorite for kitchen textiles, with up to 36% of consumers preferring the color in each product area. About one-third of the respondents said that they would prefer embellished products, particularly towels (42%). With the exception of accessories, the largest portion of consumers expected to spend under $50 for all products (and under $25 for towels).

Predictably, most people will decorate around their living room furniture. Those planning redecoration here were likely to purchase window treatments and accessories (both 48%) and relatively unlikely to consider area rugs (30%). Younger consumers, as a whole, were more likely to consider this room.

Color preferences, where known, ran heavily to beige, tan and cream shades, with blue a significant player as well. Rose/mauve also had supporters, particularly in the accessories area. Living room shoppers were marginally less likely to choose embellished products than in the other rooms studied here.

And, finally, consumers were clearly prepared to spend more per item in the living room than anywhere else in the house, with the exception of accessories.

Overall, consumers were willing to pay more for embellished products. When asked how much more, nearly all said they would pay an extra 5%. At 10% extra, only a handful resisted, but at 15%, willingness started to decline markedly. Asked if they would pay 25% more, only about a half of the original group was still willing to pay. ■

Consumers: Cannon Still Tops

However, Stevens, Martex, Beacon, Springmaid and St. Mary's gain ground in national survey

Cannon continues to dominate the brand perception of both discount store managers and shoppers.

Ever since the company, in a stroke of genius, started dropping inexpensive towels into boxes of laundry detergent back when many of us were still watching Howdy Doody on TV, Cannon has been the unrivaled brand name among consumers, as well as a staple for generations of discount store managers.

So it's no surprise that again, for the fifth year in a row, Cannon was an easy winner of polls of both discount store managers and consumers. Asked which brand(s) performed best in their domestics departments, nearly 60% of managers named Cannon, with a nearly identical percentage of consumers naming the brand as their most-desired label in domestics.

No other brand received as much as 10% of mentions in either poll, truly a convincing margin of victory.

Those victories aside, there were some surprises in this year's consumer poll, conducted by Leo J. Shapiro & Associates for *HomeMarket Trends*. Cannon's sister company, St. Mary's, Martex, Springmaid, J.P. Stevens and, particularly, Beacon, improved sharply in consumer perception, and Dan River held steady. Fieldcrest, Cannon's upstairs division, lost ground, and the WestPoint Pepperell group of labels dropped from second place a year ago to ninth this year.

However, the enormous clout of the Cannon name may explain some of these shifts from last year. With nearly two-thirds of consumers naming Cannon, mentions of other brands tend to be a bit thin. The second place brand, St. Mary's, garnered only 6% of consumer mentions, and that marked an increase over last year's second place finisher, WestPoint Pepperell, which gained only 4% of mentions.

Beacon was the only brand new to the Top 10 this year, displacing Stevens' Taste Maker brand. Its sixth-place showing, considering that the brand never made the list before, is therefore doubly impressive. Since its turnaround two years ago, the blanket manufacturer has aggressively marketed its name, particularly in-store. Evidently, the message is getting through to consumers.

That was particularly true among Target shoppers, where roughly one in 20 mentioned Beacon. Ames shoppers, on the other hand, did not mention the brand at all, balancing the equation.

Cannon performed well across the board, with Target shoppers (at about 65%) marginally more likely to mention the brand, and Ames shoppers (at 54%) marginally less likely to do so.

No. 2 St. Mary's, on the other hand, owed its standing to Ames shoppers, one in 10 of whom named the brand, and to a lesser extent, to K mart shoppers (7%).

No. 3 Burlington did well at Wal-Mart, in particular, while No. 4 Martex performed very well with Target shoppers.

Target's claim that it attracts department store shoppers was given some weight by Fieldcrest's performance at that chain. Nearly one in 10 Target shoppers named the department store brand, which implies that they had been shopping department stores in the recent past.

Otherwise, most brands seem to have performed evenly across the field.

Domestics shoppers are not, however, particularly loyal to their brands; they'd rather switch than fight. Asked what they'd do if their discount outlet was out of their preferred brand(s), nearly two-thirds of discount store domestics shoppers said they'd buy another brand. By comparison, nearly two-thirds of discount store toy shoppers said they'd look elsewhere for their preferred brand name.

On the other hand, domestics shoppers don't envision being forced into unfamiliar brand territory too often. Asked how confident they were that their favorite store would stock their preferred brand, only one in seven (16%) felt they had much to worry about. The others were either "sure" (35%) or "certain" (46%) that they'd find their brand with little trouble.

Preference for private label goods, despite the introduction of K mart's Martha Stewart program and Target's Country Estates label, plummeted among domestics shoppers this year. Only 17% said that they preferred private label goods, down from 26% a year ago. However, both figures surpassed 1988's 15%.

Further, shoppers may have envisioned Martha Stewart and Country Estates as brand names. However, none identified them as such.

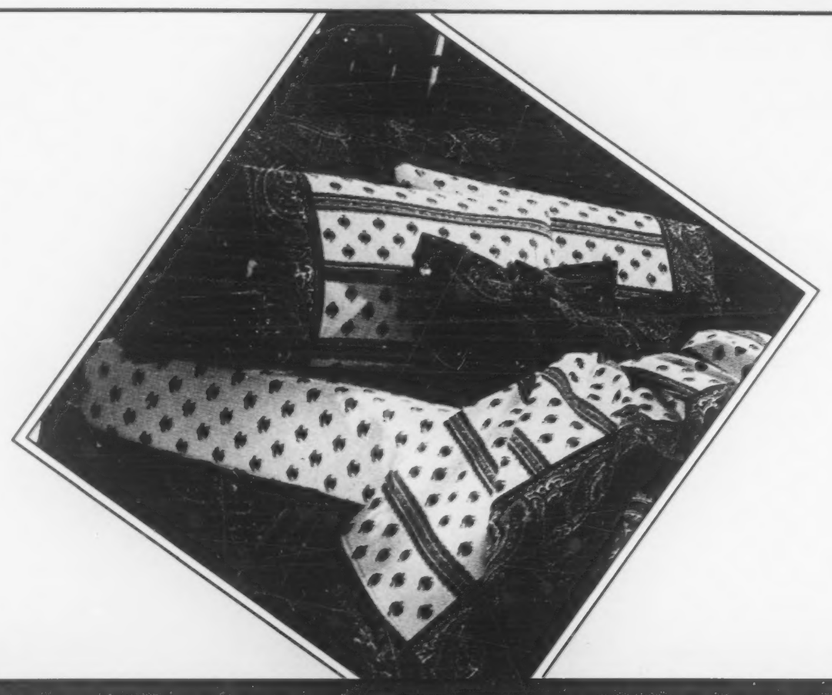
After the Top 10, brand mentions thinned out considerably. Apart from the (relatively) predictable Top 10 brands that were mentioned by consumers, only Kenney, Regal and Dundee gained any mentions at all.

Consumers were asked what discount store they shopped most. Despite Wal-Mart's financial blitzkrieg of recent years, shoppers clearly preferred K mart, by a 34% to 22% margin. Target finished third, at 10%. This may reflect the national scope of both K mart market locations and this survey. The other chains considered here are, to greater or lesser degrees, still regional chains. ■

Consumer Brand Preferences In Domestics

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Cannon	57%	60%	61%	65%	54%
St. Mary's	6	7	4	5	10
Burlington	6	5	8	3	4
Martex	4	5	5	0	8
Springmaid	4	4	7	6	2
Beacon	3	3	3	5	0
Fieldcrest	3	3	4	9	2
Dan River	2	3	0	0	3
Pepperell/Lady Pepperell	2	1	5	0	3
J.P. Stevens	2	1	0	0	5

Source: HMT/Leo J. Shapiro & Assoc.



Top Domestics Brands: Store Managers vs. Shoppers

Managers	Consumers
Cannon	Cannon
Pepperell/Lady Pepperell/Westpoint	St. Mary's
J.P. Stevens	Burlington
St. Mary's	Martex
Fieldcrest	Springmaid
Spring/Spring Mills	Beacon
Martha Stewart	Fieldcrest
Dan River	Dan River
Burlington	Pepperell/Lady Pepperell/Westpoint
Santa Cruz	J.P. Stevens

Source: HMT/Leo J. Shapiro & Assoc.

Fiscal Fears Scrooge Christmas Shoppers

(Continued from page 1)
highest degree of spending pessimism in six years.

The results of the survey appear to indicate that domestic problems with the economy, such as inflation and the budget deficit, are more troubling to consumers than foreign problems like the possibility of war in the Mideast.

When asked to name the major problems facing the country:

- 45% of consumers cited the chance that some member of their household would be laid off from work in the coming months, up from 38% in September;
- 24% mentioned wasted government spending, up from 17% in September;
- 17% cited rising inflation, up from 14% in September.

"Now, people feel this uncertainty about their jobs has turned into a real probability that they will have less money," said George Rosenbaum, vice president of the research firm which polled 450 households nationwide in each of the last three months.

The possibility of a shooting war before Christmas still looms, but worries over foreign problems declined in October: 31% cited foreign troubles as a major problem vs. 32% in September.

"The one redeeming finding of the survey is that there has been no increase in the number of people who say they have actually lost a job in the past year," said Rosenbaum. In October, 22% of those surveyed said a member of their household was laid off in the past year, the same percentage as in September.

"We're talking about fear of unemployment. As people stay out of retail stores, they will accumulate cash. If they are somehow relieved of their fears, such as a withdrawal of troops from the Mideast or some sign that the government budget problems are being addressed, there could be a big buildup for spending," said Rosenbaum.

And, that scenario just adds to retailers' traditional problem of figuring out how to keep their shelves stocked for the (hoped for) Christmas rush without taking excessive markdowns in January.

"There's a thin line between being aggressive and stupid," noted Ben Kae, national sales manager, chain and discount division of B.J. Design Concepts, a division of Oxford Industries that markets women's imprinted sportswear.

With consumers experiencing a real crisis in confidence, "retailers need to work more closely with their vendor structure to turn merchandise more quickly," noted Kae.

DSN economist Richard Mount of Mount Economic Forecasting agreed that the major problem retailers face is consumer psychology, not consumer spending.

Mount noted that most of the shortfall in oil caused by Iraq's invasion of Kuwait has been made up already. "The pressure will be on the oil industry to lower prices," he said. "Unfortunately for the holiday selling season, oil prices probably won't go down until the first quarter of 1991."

The economist, however, is more bullish on 1991 than many other forecasters. The conditions are simply not in place to mirror a repeat of earlier recessions, he said.

"Last time oil went up, we were hitting a recession, so the mood of the consumer already was to retrench," said Mount. "This time, as oil prices stabilize and if Hussein and Bush can back away from their no-compromise positions, the psychology of the consumers will improve and they can come back into the marketplace very quickly."

Mount added, "The whole system is better prepared to rebound than in the past."

That's small consolation right now for retailers trying to woo depressed consumers.

K mart disclosed at an analysts meeting in Atlanta that same store sales rose just 0.7% in September, down from 1.6% in August.

Chief financial officer Thomas F. Murasky told analysts that the weak sales trend "reflects the extreme drop in consumer confidence that occurred over the summer," as well as weather-related softness in apparel sales.

Murasky told *DSN* that it's too soon to tell what effect low consumer confidence will have on Christmas sales at K mart.

Macy's is just one of many retailers that expect it will, having reduced Christmas inventories by more than $500 million from last year's levels.

At an analysts meeting in Minneapolis last month, Kenneth Macke, chairman of Dayton Hudson Corp., noted that the company's discount division is better prepared to meet a slowdown in sales. "Based on history, if business is difficult and the economy is soft . . . Target can be expected to perform relatively well, [while] Mervyn's and our department stores are more affected by cutbacks in customer spending."

A Conference Board survey last month of top business executives found that they share consumers' pessimism. A survey of 1,000 chief executive officers and other top executives found that confidence in the economy fell in the third quarter to the lowest level since 1980.

Zeller's Parent Gobbles Towers Department Stores

(Continued from page 1)
virtually neck-and-neck. Woolworth's 1989 sales were $2.2 billion in 1989. The combined Towers/Zellers sales last year were $2.7 billion, Tower's portion being $555 million.

While Woolworth's Canadian division had voiced interest in the Towers chain shortly after word leaked about talks between Hudson's Bay and Oshawa, Woolworth was "rebuffed" by the Oshawa Group, according to management, and not invited to place a competitive bid.

Terms of the agreement were not disclosed, but Hudson's Bay Co.'s executive vice president, cfo Gary Lukassen described the price as "somewhat above" the $100 million price tag suggested by Canadian financial analysts.

"The acquisition is an excellent strategic fit for our Zeller's division and represents a significant acceleration of Zeller's expansion plans," Lukassen said.

The purchase includes the 51 Towers department stores operated in Ontario, Atlantic Canada and Quebec (under the Bonimart name). Also included are the chain's 17 in-store pharmacies, 46 restaurants and corporate offices in both Toronto and Montreal. Not included in the acquisition is the distribution center at Tower's Mississauga headquarters.

The conversion of Towers stores into the Zeller's format is expected to begin immediately after the deal is complete and finished by March 1991. Lukassen said that while each store will need to be evaluated individually, he expects the conversion to the Zeller's format will cost "several hundred thousand per store."

The jewels of the acquisition are Towers' 11 Toronto stores, a market all but untouched by Zeller's.

Zeller's will need to eliminate as many as a dozen of the Towers locations due to overlap with Zellers stores, especially in the province of Ontario. "We're going to have to divest ourselves of some of the stores . . . A couple we'll have to close; we'll have to find new owners for others," Lukassen explained.

Zeller's stores average 65,000 square feet, while Towers are generally either 70,000 square feet or 50,000 square feet.

Creditor Seeks Jewelcor's Liquidation

(Continued from page 4)
multistate litigation by the First National Bank of Boston seeking more than $100 million in immediate repayment of sums allegedly owed the bank and a seizure of the company's assets."

FNBB's motion noted that "the debtors and bank hold opposing and irreconcilable views" on Jewelcor's management operating the company. "The parties have been in a disput on the issue since January of this year and in litigation over it since April."

The motion stated that an examiner is needed "to advise the Court whether [Jewelcor's] assets are in peril of loss or dissipation, as FNBB believes."

Jewelcor chairman Seymour Holtzman told the local newspaper that "we're not sick. We're a viable company" and its core Gruen Marketing watch busines earned a $15 million (pre-tax) profit last year. Jewelcor is "a victim of the troubled banking industry in New England," he said.

Last month, when Jewelcor filed its bankruptcy petition, the court authorized the cataloger to spend $4.1 million to buy watches and other merchandise and $3.5 million to pay employees.

The cataloger acted three weeks after FNBB filed a motion for a preliminary injunction in the U.S. District Court in Boston, noting that Jewelcor obtained a revolving credit and term loan in September 1988 to fund its LBO. FNBB's September motion contended that the LBO debt grew to over $91 million by March, when Jewelcor defaulted, and "today, they are delinquent in more than $101 million in principal and interest," with unpaid interest accruing at over $35,000 a day.

Jewelcor's filing halted payments to all its creditors including FNBB. The retailer said it acted following the hearing on FNBB's September motion that would have forced Jewelcor "to deposit virtually all of its cash into a National Bank in Boston pending the outcome of the various litigations."

FNBB and Jewelcor have been locked in a long-standing legal battle over the LBO debt. Jewelcor had been successful in holding off court action prior to the bank's motion for the preliminary injunction.

Jewelcor said it regretted FNBB's "unwillingness to negotiate an equitable resolution . . . in a way that would have spared harm to innocent third parties."

Marshalls Set to Open New Unit

(Continued from page 2)
Marshalls joins the ranks of other off-price specialty stores, such as Loehmann's, in offering a back room atmosphere. At Loehmann's, The Back Room, also separated from the rest of the selling floor, tends to be reserved for higher priced items, such as designer cocktail dresses.

Despite the similarity in name, Marshalls said it called the new space 'Designers' Back Room "to avoid confusion with other off-price apparel retailers."

The retailer reported it expects a total of nine select stores to have this room by the end of 1990. A company spokesman said that these are stores chosen on the basis of "where customers have proven a preference for better designer merchandise." More may be in the offing, depending on the success of these first nine.

Office Stop Opens Flagship Store

(Continued from page 3)
flagship store opened, Oct. 18, Office Stop opened a 31,000-square-foot unit south of Baltimore, in Glen Burnie, Md. One more Baltimore unit is planned.

On Oct. 25, Office Stop opened a 30,000-square-foot unit in Philadelphia, and the chain plans to open in Warwick, R.I., Nov. 8 and Rochester, N.Y., Dec. 7.

As many as 14 to 16 stores are planned for 1991 including January openings in Hartford, Conn., Warwick and Providence, R.I. Next spring, Office Stop plans to open in Boston.

In addition to the much larger size of the flagship store, the upgraded computer systems and the computer service center, other new features of the Towson unit include: 40 linear feet of software, double that of the traditional 30,000-square-foot units; seven sku's of MontBlanc pens priced from $74 to $299; cellular phones featuring such labels as Nokia, Oki, Mitsubishi and Panasonic; and a recycled paper department.

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